Quarterly Board Report

Zurich Target Date Funds

Zurich TDF 2025

Market Commentary

Market Commentary:

2024 proved to be a stellar encore to 2023. US large-cap stocks finished up nearly 25%, following a gain of 26% in the previous year—one of the rare sequels that surpasses expectations.

Notably, it marked the first back-to-back years of 20%+ gains since 1999—25 years ago.

While US large caps claimed the spotlight, not all asset classes matched their pace. US small caps (+11.4%), international stocks (+3.4%), and emerging markets (+6.9%) delivered positive returns but significantly trailed large caps, a divergence worth noting.

As we consider starting valuations—together with our belief that the price you pay for an asset plays a prominent role in long-term investment returns—our most reasonable view is that defensiveness should likely play a more prominent role in portfolios compared to recent years.

US large cap stock valuations—measured by the CAPE ratio—sit in the 98th percentile of historical readings, nearing the heights of the 2000 tech bubble. Moreover, the valuation gap between US stocks and the rest of the world is at its widest point in recorded history, dating back to the late 1980s.

While valuations are not a timing tool, they offer insight into the expectations embedded in prices. In short, the bar is set exceptionally high for US large caps but less so for other asset classes. We believe this should inform investor thinking about how they position portfolios in the years ahead.

The road ahead will be fraught with risks. Among the most commonly cited are:

• US equity valuations that provide little room for error.

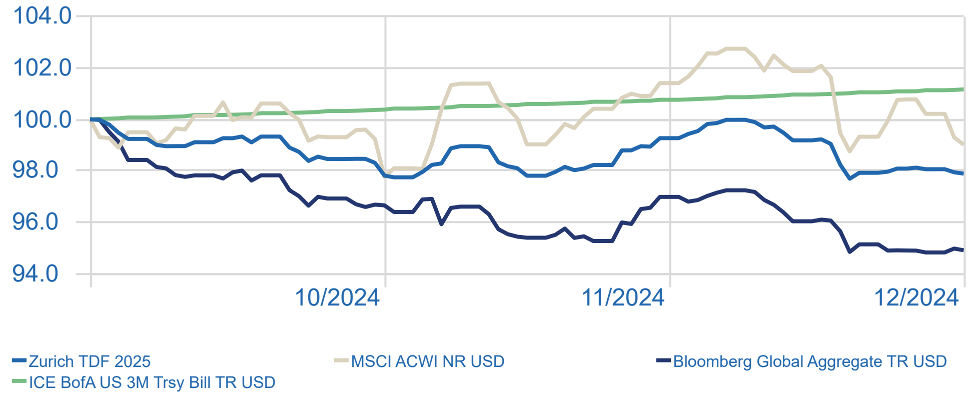
• The potential impact of tariffs on businesses.

• Uncertainty surrounding a new administration in Washington.

These are some of the known risks that investors are already thinking about, yet there are always unanticipated developments as well. We believe a diversified, valuation-driven strategy remains the most effective approach to navigate any uncertainty, whether known or unexpected. By focusing on what can be controlled and maintaining discipline, investors can position themselves to face whatever challenges the year ahead may bring.

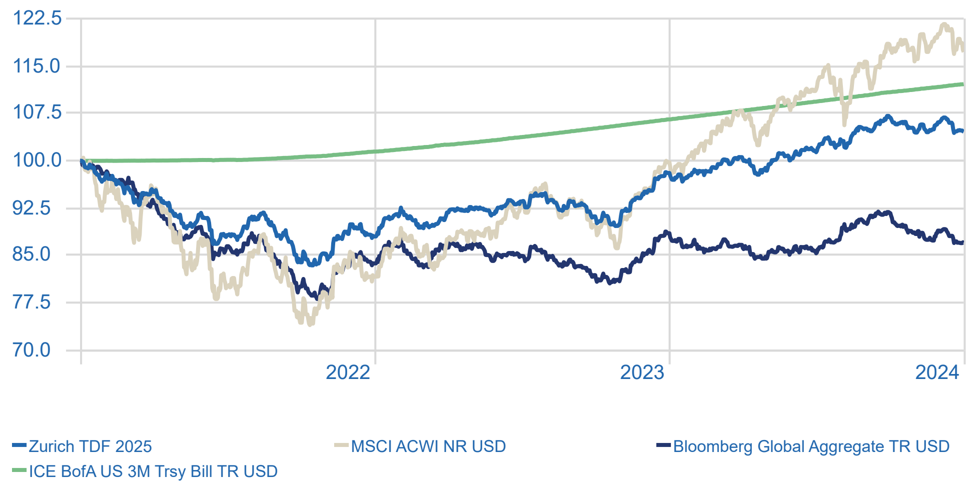
Market Performance (%): Quarter

Time Period: 01/10/2024 to 31/12/2024



Market Performance (%): 3 Year

Time Period: 01/01/2022 to 31/12/2024



Portfolio & Performance Review

Portfolio & Attribution Commentary

Portfolio Commentary

The big growth stocks returned to form in the fourth quarter, following a brief respite in the third quarter. The Morningstar US Growth Index notched a quarterly gain of 6.3%, compared with a 2.2% loss for the Morningstar US Value Index. Of the four US sectors that had positive returns, three were the traditional growth sectors (communication services, technology, and consumer discretionary). Although financials also had a positive quarter, all other sectors were in the red—and that included the normally defensive healthcare and consumer-staples sectors. For 2024, the growth index finished with a 23.4% return, versus a considerably smaller 13.8% gain for the value index.

Although US small-cap stocks had shown glimmers of strength in the third quarter, they lagged larger stocks in the fourth quarter, buoyed by gains in big-cap growth names. The Morningstar US Small Cap Index was roughly flat, with a 0.3% return, while the Morningstar US Large Cap Index recorded a 3.3% gain. For the year, the small-cap index delivered a 10.8% return, well behind the 27.9% return of the large-cap index.

Higher-quality bonds—measured by the Bloomberg US Aggregate Bond Index—remain in a drawdown from their 2020 highs but managed a modest gain of approximately 1%, delivering a positive return. However, that return lagged inflation, leaving many investors to continue questioning the role of this critical asset class. The most significant story in the bond market has likely been the actions taken by the Federal Reserve. September saw the first Fed rate cut in more than four years and indications suggest further Fed easing in 2025.

As the Fed lowers rates, the expectation would be that bonds deliver positive results. Yet, markets love to fool the masses. While the Fed lowered short-term rates in September, long-term interest rates have risen—a surprising twist that caught many off guard. The result? Bonds delivered negative returns in two of the three months following the Fed's initial rate cut.

Attribution Commentary

Both Equities and Bonds detracted from performance over the quarter, as most of the major asset classes posted negative returns.

Within Bonds, performance was broadly negative across the fixed income spectrum, with US Treasuries and Emerging Market bonds being the key detractors to performance. US Treasuries came under pressure as markets mulled over the potential implications of a second Trump presidency. For Emerging Market assets, dollar strength proved to be a significant headwind, particularly for local currency denominated bonds.

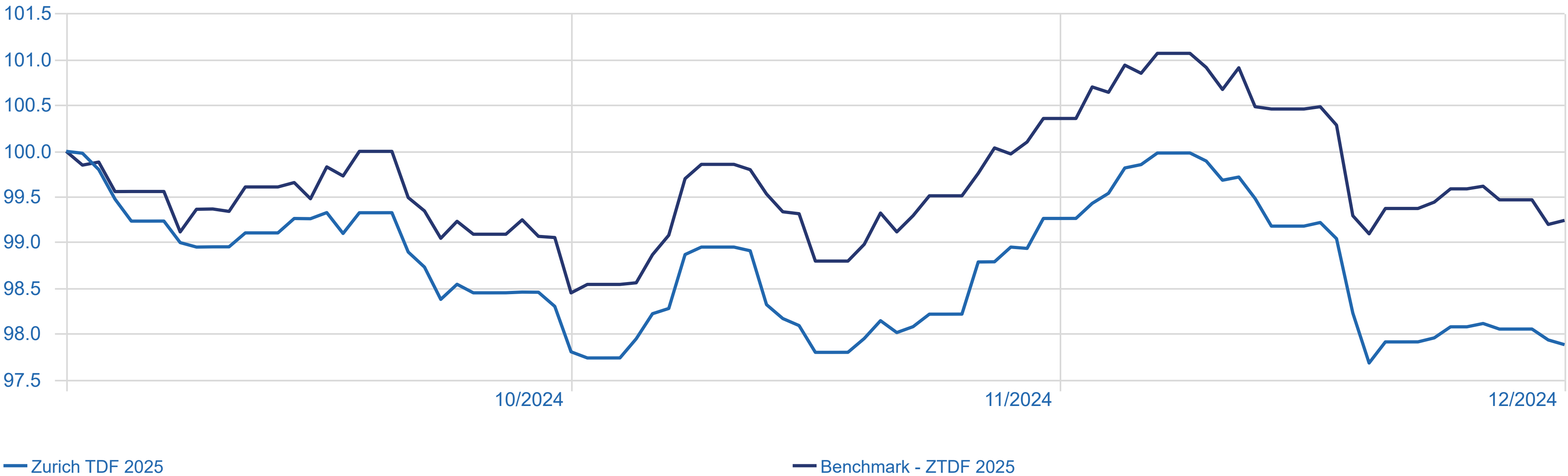
Within Equities, allocations to the broad US market contributed positively to performance, given that this was one of the few parts of the market that managed to end in positive territory over the quarter. On the other hand, most of the other holdings came under pressure, with the Eurozone and UK being the most notable detractors.

Zurich TDF 2025

Performance Review

Investment Growth (%)

Time Period: 01/10/2024 to 31/12/2024



Trailing Returns (%)

Data Point: Return

	Since Inception (03/07/2017)	5 Years	3 Years	Quarter	YTD	01/01/2024 - 31/12/2024	01/01/2023 - 31/12/2023	01/01/2022 - 31/12/2022	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020
Zurich TDF 2025	36.35	3.51	4.61	-2.11	6.67	6.67	11.42	-11.98	5.15	8.01
Benchmark - ZTDF 2025	42.67	3.96	4.49	-0.75	8.23	8.23	11.79	-13.64	5.97	9.67

Portfolio Positioning & Outlook

Positioning Update and Outlook

Looking forward, a new year always brings new predictions. If you own a cellphone or TV, it's impossible not to engage with market forecasts. Predictions, though ubiquitous, often miss the mark, as they are well-intentioned but usually amount to nothing more than just guesses.

For instance, the average year-end S&P 500 price target last year among 20 Wall Street strategists was 4,861, with the most optimistic forecast at 5,400.

Where did the S&P 500 close last year? At 5,881—21% above the average estimate and 10% higher than even the most bullish estimate. No one came close. This is only one example of why our investing belief system emphasizes process over predictions. Good investment outcomes require time—often much longer than a single calendar year. Our focus remains on decisions that will influence portfolios in the coming years, not just the next 12 months.

Regarding portfolio positioning, there were no changes over the quarter and the portfolios remain well diversified whilst reflecting the key areas of conviction.

Zurich TDF 2025

Portfolio Holdings

Top Holdings - Zurich TDF 2025

Portfolio Date: 31/12/2024

	Portfolio Weighting %	Morningstar Medalist Rating	Total Ret 3 Mo (Qtr-End)	Total Ret YTD (Qtr-End)	Total Ret 1 Yr (Qtr-End)
Vanguard U.S. Govt Bd Idx $ Acc	24.50	Silver	-3.11	0.64	0.64
PIMCO GIS GlInGd Crdt Instl USD Acc	13.70	Silver	-1.30	4.47	4.47
Stt Strt Glbl Trs Bd Idx I USD Acc Hdg	13.70	Bronze	-1.08	2.44	2.44
iShares US Index (IE) Instl Acc USD	9.10	Silver	2.49	23.92	23.92
Vanguard U.S. 500 Stk Idx $ Acc	7.30	Gold	2.28	24.39	24.39
iShares EmergMkts Idx (IE) Instl Acc USD	4.90	Bronze	-7.34	7.91	7.91
Vanguard Glb Bd Idx $ H Acc	4.60	Bronze	-1.44	2.55	2.55
PIMCO GIS Glb Lw Dur Rl Rt Ins USD Acc	4.50	Bronze	0.00	5.07	5.07
Fundsmith Equity I Acc	3.30	Silver	-5.07	7.06	7.06
Colchester Lcl Mkts Bd $ Unhgd Accl	3.00	Bronze	-9.54	-6.38	-6.38
iShares UK Index (IE) Instl Acc GBP	2.50	Neutral	-7.46	6.80	6.80
Vanguard Jpn Stk Idx $ Acc	2.50	Silver	-3.63	8.14	8.14
Vanguard €z Stk Idx € Acc	2.30	Gold	-9.00	3.10	3.10
iShares US Corp Bd Idx (IE) Instl AccUSD	1.80	Silver	-2.76	2.33	2.33
ILF USD Liquidity 4	1.20		1.14	5.19	5.19
iShares Em Mkts Govt Bd Idx (LU) A2 USD	1.10	Bronze	-1.69	6.52	6.52

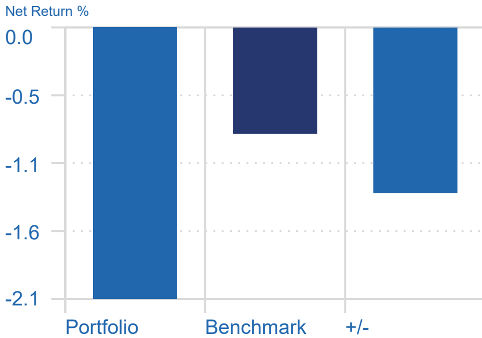
Zurich TDF 2025

Asset Class Attribution

Source: Morningstar Direct. The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate; thus an investor's shares, when sold or redeemed, may be worth more or less than their original cost. The returns shown assume all dividends and capital gains distributions are reinvested and are net of the underlying holdings' fees and expenses. The Zurich TDF products launched on 03/07/2017.

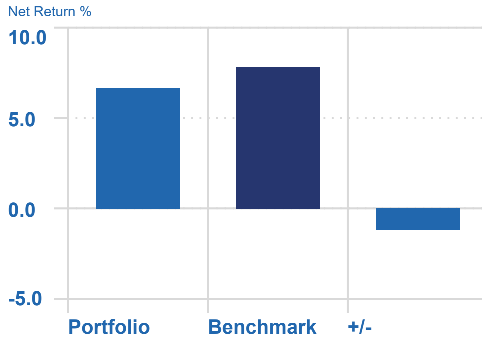
Total Portfolio Returns (%): Quarter

Time Period: 01/10/2024 to 31/12/2024



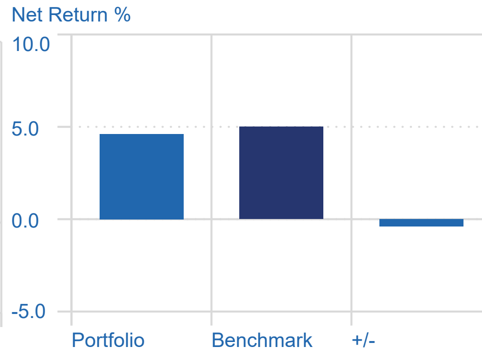
Total Portfolio Returns (%): 1 Year

Time Period: 01/01/2024 to 31/12/2024



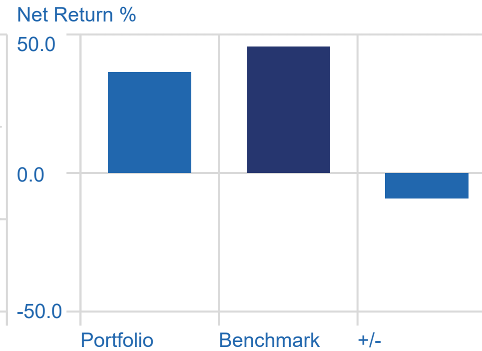
Total Portfolio Returns (%): 3 Year

Time Period: 01/01/2022 to 31/12/2024

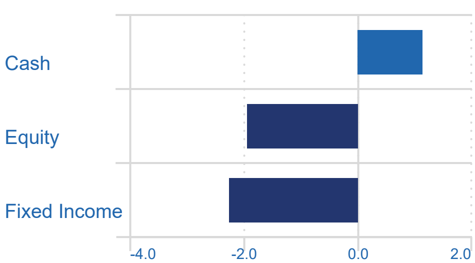


Total Portfolio Returns (%): Since Inception

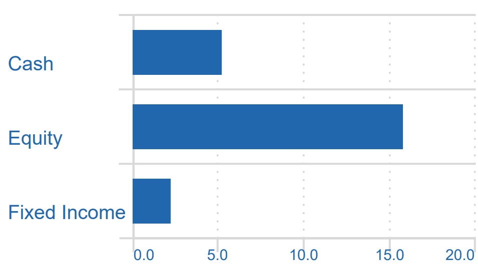
Time Period: 03/07/2017 to 31/12/2024



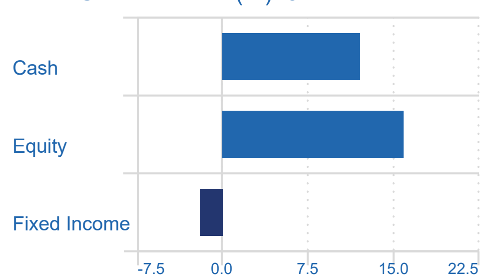
Asset Class Returns (%): Quarter



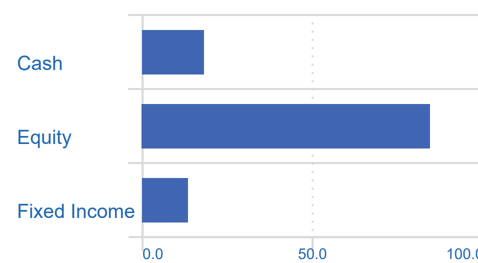
Asset Class Returns (%): 1 Year



Asset Class Returns (%): 3 Year



Asset Class Returns (%): Since Inception



Asset Class Attribution (%): Quarter

	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	1.22	6.55	1.14	1.17	0.01	-0.11
Equity	31.91	32.60	-1.94	-0.94	-0.62	-0.32
Fixed Income	66.87	60.84	-2.26	-1.00	-1.51	-0.85

Asset Class Attribution (%): 1 Year

	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	1.20	6.53	5.19	5.20	0.06	0.15
Equity	33.28	33.76	15.77	17.41	5.16	-0.55
Fixed Income	65.52	59.71	2.20	3.21	1.45	-1.00

Asset Class Attribution (%): 3 Year

	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	2.42	6.41	12.06	11.95	0.18	0.24
Equity	33.70	34.54	15.87	17.29	5.18	-0.43
Fixed Income	63.88	59.05	-2.01	-3.11	-0.75	0.23

Asset Class Attribution (%): Since Inception

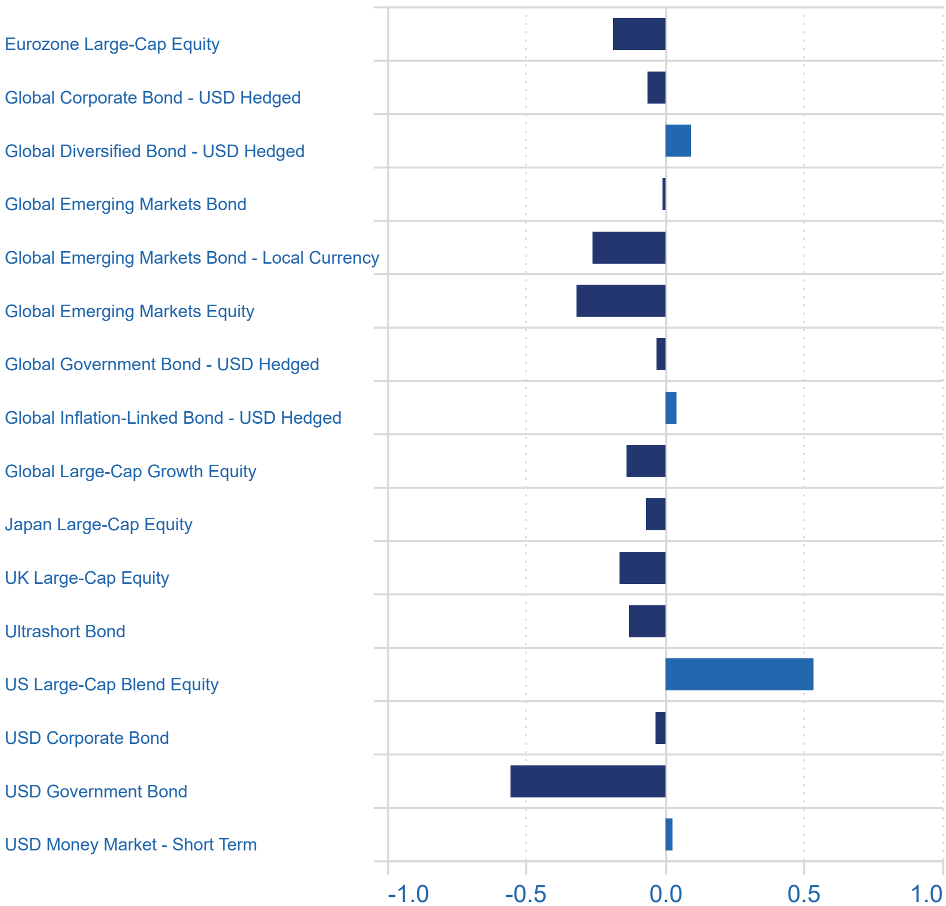
	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	8.80	6.77	18.07	17.05	1.10	-1.49
Equity	35.16	37.36	84.18	107.01	28.31	-6.58
Fixed Income	56.05	55.87	13.43	10.55	6.94	1.53

Zurich TDF 2025

Asset Allocation Attribution

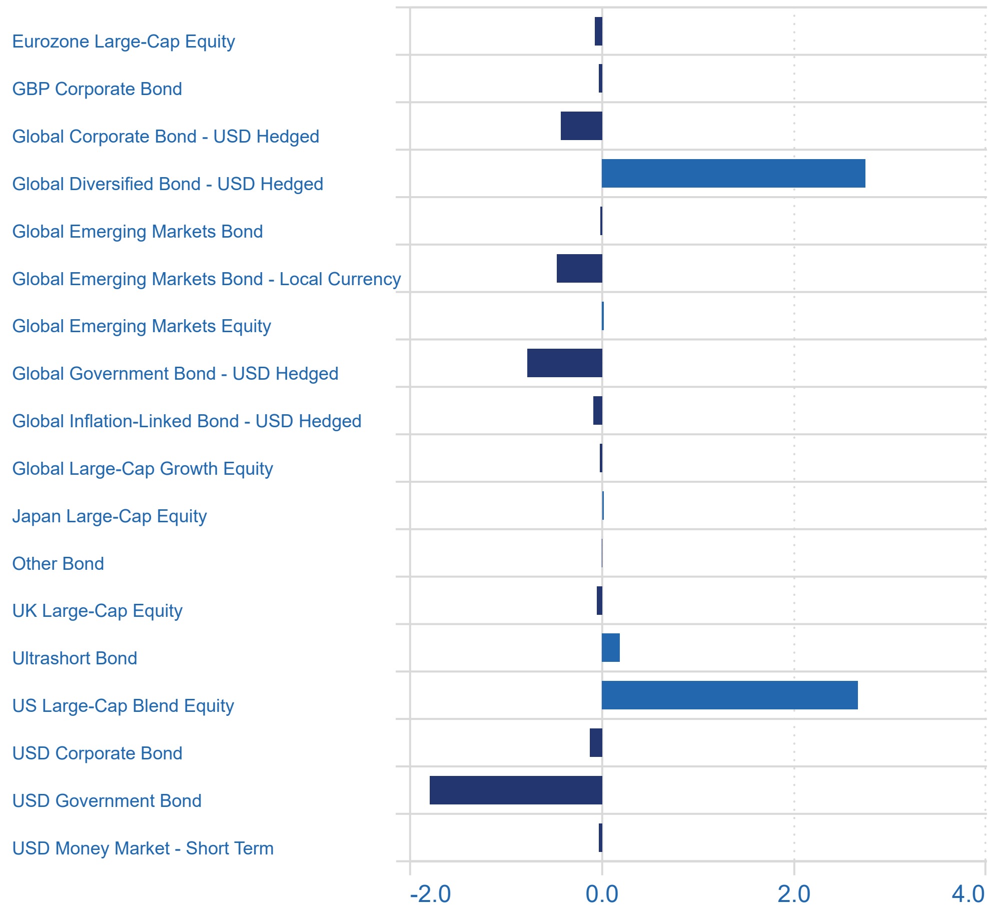
Allocation Effect: (%) : Quarter

Time Period: 01/10/2024 to 31/12/2024



Allocation Effect: (%) : 1 Year

Time Period: 01/01/2024 to 31/12/2024

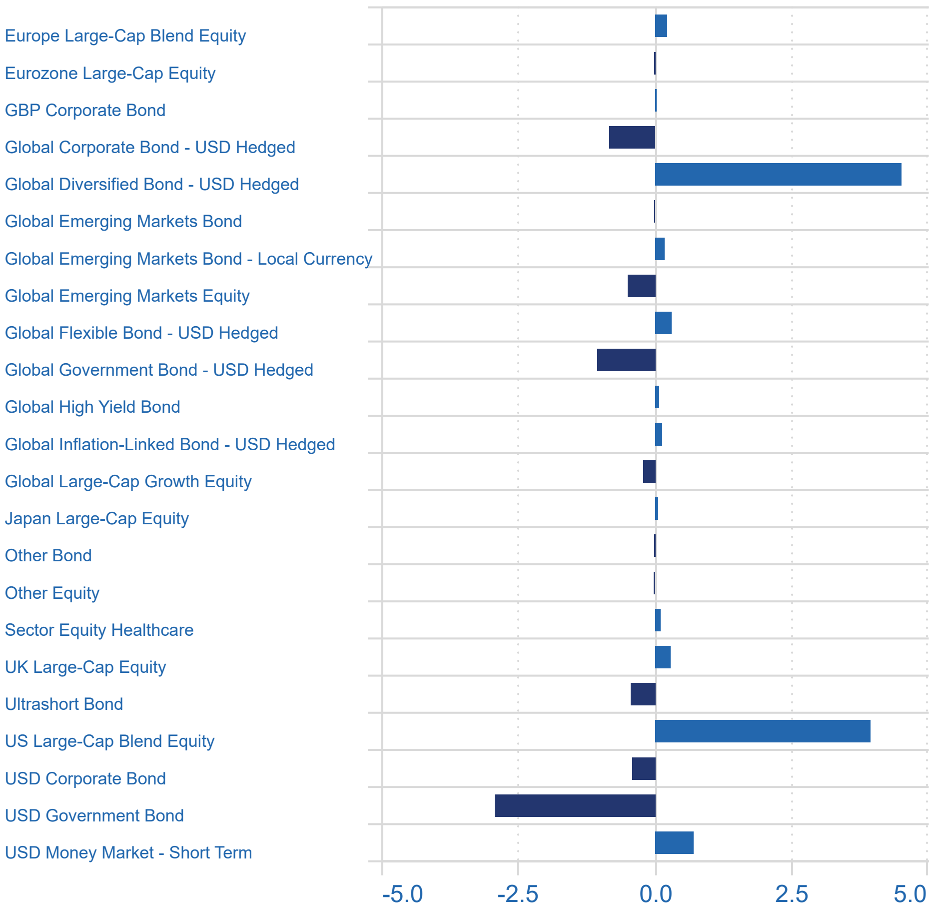


Zurich TDF 2025

Asset Allocation Attribution

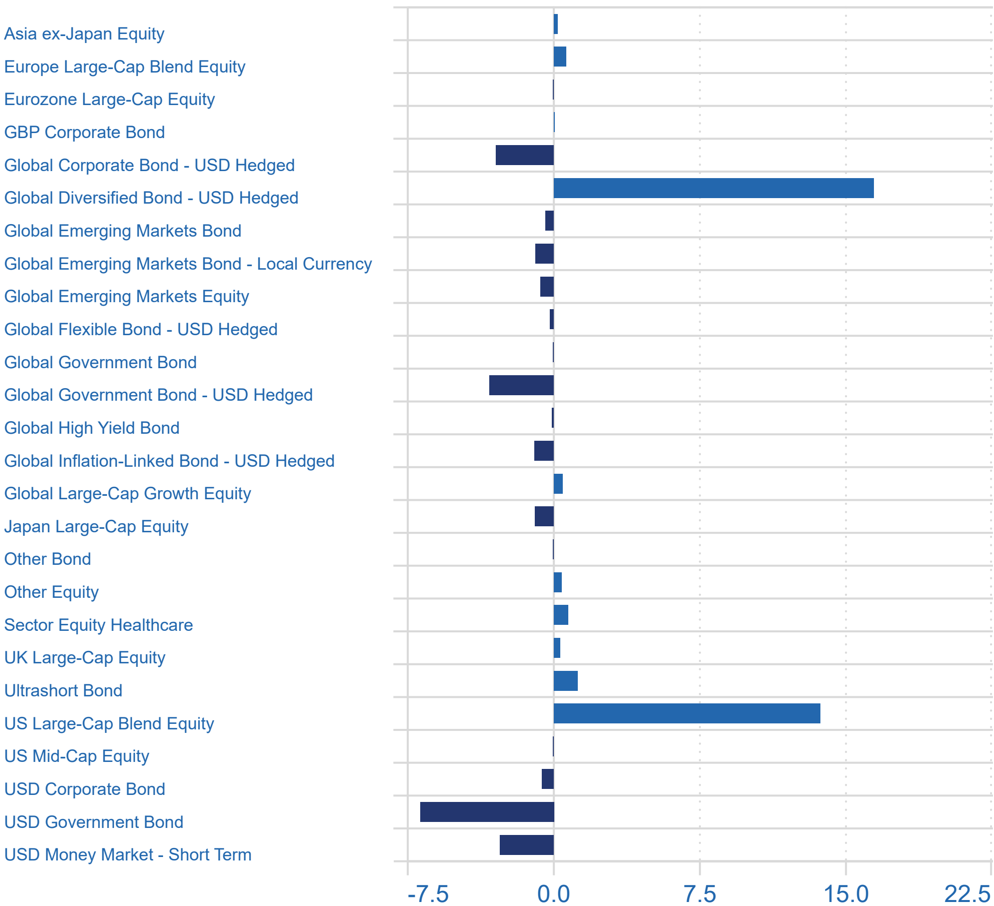
Allocation Effect: (%) : 3 Year

Time Period: 01/01/2022 to 31/12/2024



Allocation Effect: (%) : Since Inception

Time Period: 03/07/2017 to 31/12/2024



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